

REPORT OF THE FIRST APEC AUTOMOTIVE DIALOGUE MEETING

Bali, Indonesia 26-27 July 1999

1. The first APEC Automotive Dialogue Meeting was held in Bali on 26-27 July 1999. The Automotive Dialogue, which is open to all APEC member economies, is a unique forum in convening senior industry representatives and officials to discuss ways in which the APEC automotive sector could be strengthened and to enhance understanding of the major issues and trends shaping the regional automotive industry.
2. APEC Leaders recognised the importance of the auto sector by including it under the Early Voluntary Sectoral Liberalisation initiative. APEC Trade Ministers at their meeting in June 1999 asked the Dialogue “to map out strategies for increasing integration and development of the automotive sector”, and to report the outcomes of the Bali meeting at the annual APEC Ministerial meeting in September. This report, which will be submitted to APEC Trade Ministers, outlines the progress made at the first Dialogue towards meeting that goal.
3. The Dialogue was attended by 175 senior officials and industry representatives from Australia, Canada, Hong Kong China, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Thailand, Chinese Taipei, and the United States. The APEC Secretariat also attended. Representatives of PECC attended as observers.
4. The Dialogue was chaired by Mr Ian Grigg, the Australian Prime Minister’s Special Automotive Envoy. Participants noted with thanks the outstanding work of the ASEAN Automotive Federation in making arrangements for the meeting.
5. His Excellency, Rahardi Ramelan, Indonesian Minister for Industry and Trade, formally opened the Automotive Dialogue. Minister Ramelan highlighted recent policy reforms designed to allow the market to function more effectively and to build the competitiveness of Indonesia’s automotive sector, including in the export sector. Sri Mulyani Indrawati briefed the Dialogue on the current economic situation in Indonesia.
6. Industry participants noted that the Asia-Pacific continues to be seen as the key future growth region for the global automotive industry.

7. It was agreed that the Dialogue should address a comprehensive range of issues affecting the industry in a manner that reflects the diverse perspectives of industry and government representatives and in line with the spirit of voluntarism. The Dialogue agreed to undertake as quickly as possible (in conjunction with the relevant APEC fora), practical work on issues such as automotive standards and customs procedures, as well as issues impeding the growth of the industry such as traffic congestion, the environment and human resource constraints. The Dialogue looks to achieve concrete outcomes in these areas in the short-term. It was agreed that liberalisation needs to be addressed step-by-step by the Dialogue so as to support economies' efforts to implement the Bogor goals in the automotive sector. The Dialogue agreed that work on all these issues should be advanced together with the aims of facilitating the mutual growth of APEC economies' automotive industries and of promoting sound motorization.

8. Participants agreed that seeking early recovery of the auto industry in the economies seriously affected by the financial crisis should be the first priority for the Dialogue. Emphasis was put on the need to develop practical measures to assist the industry achieve a sustained recovery. The need to revive demand, boost exports and improve competitiveness were cited as important factors to be considered. Industry participants also noted that policy measures to ameliorate the impact of the crisis need to take into account economies' longer-term objectives for their auto sectors and sustainable competitive advantages, as the car companies do not invest for the short-term, and that measures such as more rapid implementation of the AICO scheme could help revive growth in ASEAN.

9. The Dialogue agreed to establish panels to advance its work program between meetings.

10. To increase transparency and information exchange on automotive policies, economies have been asked to produce profiles of their automotive industries. Six profiles have been completed and have been placed on the newly established Automotive Dialogue home page on the APEC Secretariat website. Others are expected to be completed in the near future.

Traffic and Environment

11. The Dialogue received reports on the recent work of several international fora that are addressing the range of issues relating to traffic congestion B the World Congress on Intelligent Transport Systems (ITS), the Asia-Pacific ITS Seminar, and the APEC Transportation Working Group. It was noted that, historically, traffic congestion increases with greater levels of urbanisation and higher living standards, and that APEC economies should consider the range of different approaches available to help improve traffic flow. It was recognised that, although the circumstances of individual economies vary considerably,

there is a need for international cooperation to develop and implement practical measures.

12. The Dialogue considered that the issue of the environmental impact of motor vehicles is closely related to traffic congestion as better fuel efficiency and lower vehicle emissions would result from improved traffic flow. Fuel quality and the standard of vehicle fleets were identified as other important factors.

3. The Dialogue agreed that member economies and industries have valuable experience to share concerning the success of various programs in helping to ease traffic congestion. Member economies will be asked to report on technologies and specific measures that have been most successful in addressing these problems. The Japan Automobile Manufacturers Association has agreed to coordinate the solicitation and collection of these individual economy reports.

Automotive Technical Regulations

14. The Dialogue received a report from Mr Mike Kimberlee, the Chair of the APEC Transportation Working Group (TPT-WG) Road Transport Harmonisation Project (RTHP), on the Group's activities aimed at reducing technical barriers to trade through harmonisation of standards and certification systems. RTHP is now in the final phase of its work seeking to develop a harmonised vehicle regulatory system for APEC over the next 5 years. Reference was also made to Mutual Recognition Arrangements.

15. To facilitate the work on standards harmonisation, APEC governments at the Dialogue undertook to encourage industry to participate in their governments' delegations to the Transportation Working Group and Road Transport Harmonisation Project activities and to support the development of a set of globally harmonised vehicle regulations in the United Nations WP.29 by actively participating in its work. In the meantime they undertook to use available international vehicle regulations.

16. APEC automotive industry representatives agreed to participate to the fullest extent possible in Road Transport Harmonisation Project activities; to expand and broaden support throughout the APEC region for the development of automotive regulatory harmonisation; to share with all APEC economies the important new work on accelerating automotive regulatory harmonisation that is being conducted by the world's major auto producers; and to consider the request to sponsor a workshop in Asia in 2000 to facilitate the final phase of the Road Transport Harmonisation Project. The U.S. Automotive Trade Policy Council agreed to coordinate the exchange of information on these activities

Customs Issues

17. The Dialogue received a presentation by Mr Wahyu Purnomo, Director of International Affairs from the Indonesian Directorate General of Customs and Excise, on the work of the APEC Sub-Committee on Customs Procedures (SCCP).

18. The Dialogue also heard a presentation on the Canada-U.S. Accord on Shared Borders which is designed to streamline processing of goods, including automotive products, as well as to facilitate trade and business development. A presentation was also made on the industry driven (including GM and Ford, amongst others) pilot program between the U. S. and China on customs modernisation in Shanghai.

19. The Dialogue recognises the importance of customs to trade facilitation in the APEC region and identifies simplification of customs procedures and harmonisation of customs regulations as one of the priority areas on which to start work.

20. The Dialogue agreed to seek private sector input on customs harmonisation and simplification. A questionnaire was distributed at the Dialogue to survey the automotive industry in the region to identify specific customs based impediments to trade in automotive products. The survey is scheduled to be completed by September 1999. Canada will coordinate work to analyse results of the survey and develop initiatives and work programs in conjunction with the SCCP, to address issues identified by the survey.

Intellectual Property Issues

21. The Dialogue received a report from the Chairman of the APEC Intellectual Property Experts Group (IPEG), Mr Yoshifumi Saeki, on the recent work of this group. The Dialogue recognised the strong correlation between economic development and the effective protection of intellectual property (IP), and the impact of IP issues on the automotive industry.

22. The Dialogue agreed to invite each economy, and the APEC industry, to report on the impact of counterfeiting, piracy and the unauthorised use of industrial designs on trade and investment in the automotive sector. These reports will be drawn together and discussed at the next APEC IPEG meeting. Feedback on the findings/results of the IPEG will be provided to the APEC Dialogue. JAMA will continue to coordinate work on intellectual property issues in the Dialogue.

Historical Impact of Liberalised Trade

23. The Dialogue identified several common themes from its discussion of experiences of reform in NAFTA (with special reference to the Mexican industry after its economic crisis), the opening of the Australian market in a series of reforms, and the recent paradigm shift in policy making in Indonesia:

1. Liberalisation will inevitably involve pain, in the form of costs of adjustments, but these costs are likely to be smaller when governments commit to an explicit liberalisation timetable that contributes to greater confidence among investors.
2. Liberalisation programs should also include reference to non-tariff measures.
3. Foreign investment can help reduce the costs of adjustment and promote trade.
4. Explicit regional commitments can help the reform process, when members of regional groupings first integrate with their closer trading partners with the long-term goal of becoming globally competitive.
5. Tackling other impediments to competitiveness also helps: this strategy might include policy applying to the labour markets, to infrastructure sectors or to taxation policy which affects export competitiveness.

24. The Dialogue agreed that the APEC process includes many activities that contribute to meeting the challenges evident in these themes.

Assistance to Automotive Suppliers

25. The Dialogue considered the diverse range of issues now confronting the regional supplier industry. Industry participants made several suggestions for ways to survive the current crisis and to promote long-term growth. These included:

1. Better supplier communications;
2. Implementation of gradual and predictable trade and investment liberalisation, in particular through full AFTA implementation on schedule and more effective use of AICO;
3. Market expansion with a particular emphasis on increasing exports;
4. A new concentration on the aftermarket by ASEAN suppliers;
5. Development of supplier rescue packages;
6. Development of a global customer base;
7. Vehicle manufacturer and tier one supplier systems purchasing and market development missions
8. Vehicle manufacturers work to improve the R&D capabilities of regional suppliers.

26. The U.S. will lead a group to conduct ongoing discussions to produce a report devoted to rescue and improvement.

Effective Automotive Policies

27. The Dialogue conducted a panel discussion on effective automotive policies. The key importance of government policies in creating a conducive environment for the growth of the industry was underlined. The Dialogue supported step-by-step liberalisation of auto trade in the APEC economies. In particular, most industry representatives recommended that the process should start with implementation of AFTA on the schedule agreed to by ASEAN Leaders.

28. The Dialogue noted a paper compiled by the Chair that drew together the elements relating to the auto sector from APEC economies' individual action plans. Economies were asked to ensure the paper is accurate, and to update and, if possible, strengthen the automotive elements of their individual action plans.

29. Auto industry associations from the APEC region agreed to provide expanded industry support to the work of the Dialogue on effective automotive policies. They undertook to prepare a joint industry report on impediments to growth in the auto sector and economic policies which have proven to be most effective in encouraging the development of strong automotive industries, based on the experiences of their member companies in economies around the world. The Australian Federal Chamber of Automotive Industries (FCAI) will coordinate the formation and work of this industry group, which will submit its report to the Dialogue prior to the next meeting.

30. The Dialogue also noted that APEC Trade Ministers agreed in June 1999 that a new WTO trade round should include industrial products. The Dialogue reaffirmed the importance of including industrial products in a new WTO round and suggested that there could be value in following developments in the WTO that would have implications for the automotive sector. Discussions in the Dialogue might be of interest to WTO members.

Next Meeting

31. The Philippines offered to host the next meeting of the Dialogue in Manila in April 2000. The Dialogue welcomed and agreed to accept this offer.

32. This report will be made available on the APEC website.
<http://www.apecsec.org.sg/committee/auto/auto.html>